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WP SME COMPETITIVENESS
INTERNATIONALIZATION STRATEGY OF SCIENCE4YOU, S.A. TO THE
BRAZILIAN MARKET

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Executive Summary

The increasingly interest by parents in toys for the children with educational purposes, and the lack of options from the market to meet this new demand was the starting point to open Science4you S.A. for its founder, Miguel Pina Martins.

Science4you is the only one in the Portuguese market that is present in almost every large retailer, at lower price than competition, and adding value to its product with thematic manuals and tickets for museums. The idea of internationalization exists since the beginning, and criteria of the target chosen – Brazil – were the market size, cultural similarities and its constant growth indicators regarding the toy's industry.

After making an analysis of the country and its industry, I developed an implementation plan, for the next 2/3 years, that has some guidelines to the whole country, but it is focused in the state of São Paulo. I made this choice because the company already has a distributor in Rio de Janeiro and because São Paulo is the richest state in Brazil.

Company Description and Industry Map

Science4you is a toy's manufacturer company established in January 2008 by the CEO Miguel Pina Martins and is specialized in scientific toys. With a graduation in Finance and Masters in Management, Miguel decided to launch Science4you S.A boosted by a partnership between ISCTE and FCUL, supported financially by the venture capital program FINICIA, of the Portuguese institute IAPMEI, who financed the initial investment in 90% (55.000€).

The **creation process** of the toys is developed by two activities: product development and Customer Relationship Management (CRM). For the first one, the science4you team tries to find out what could be a good product for the market, and develops a new one internally, like it did with the eruption of a volcano. Before that, they complement this activity talking with clients like Fnac, to know what products were more successful in the educational market. So far, the company has for sale 72 products and the top-3 sales' toys are: First step on Geology - Volcanoes, Solar Kit 6 in 1, and Ecology – Plants.

The other products and services: formation; birthday parties and holiday camps, are not seen as a company's core activity but rather as a support to its major activity: production of toys.

The company already won several prizes of entrepreneurship on national and European level such as the Entrepreneurs of the year 2010 (European Commission) and the European Enterprise Award 2011 in the category of Internationalization. Nowadays Science4you is present in Portugal, Spain, Angola, Brazil and it is starting to expand its activity to U.K., with the financial help of the EU program QREN (50.000€).

Being a company with only 20 employees, the **control structure** is largely centralized in Miguel Pina Martins. He is the major responsible for the company's strategy and commercial area and the person that the R&D department reports to. It is kind of a "one man show" since the CEO is also the major responsible for specific tasks like contract management with clients and suppliers, process of negotiating with the possible partnerships and even helps the assembly team in times of peak of demand. However, there are managers who are responsible for the areas of logistics, finance, among others.

Nowadays the company's most valuable asset is its **R&D department**. Composed by a team of three designers and four scientists, this department is responsible for the generation

and process development of the toys, as well as for their instructive books about the toy's theme which come along with it.

The company started developing its products in **partnership** with Faculdade de Ciências da Universidade de Lisboa to use its facilities and support in the development of the toys. This partnership was essential for the company not only for its logistics but also allowed the company to put the logo of FCUL in the toy's packaging as product certified by the university, which gives to the company an image of quality which was very helpful in the early stage of commercialization. In Spain there is a quality product certification by *Universidad Autónoma de Madrid*.

There are also partnerships with museums: Museu da Ciência da Universidade de Lisboa, Centro de Ciência Viva do Porto and others in Portugal that includes tickets for free entrance plus the possibility for the company to sell the toys in the museums' stores.

It is important to mention that Science4You does not pay anything to the museums in return for the tickets and it is the only company in the Portuguese market with those arrangements, being a differentiator factor from the competition.

Finally, the company has partnerships with some other entities, such as Fnac Kids or Clube da Água, that are directed to the Formation area of the company.

As for the **suppliers**, the majority are Portuguese. They could have cheaper ones from China, but the intermediation cost does not compensate the small quantities purchased. For now, while they are a small company, the best move is to keep its Portuguese suppliers. The fact that its suppliers are local has the advantage of a more restrict quality control of the product, and a better communication. Nowadays, between 60% and 70% of their suppliers are Portuguese. The graphics and plastic's suppliers should be highlighted to be present in every toy's manufacturing.

The graphic companies are Portuguese ones, whose their main task is to print the puzzles and do the packaging (previously designed by the R&D team). The assembling of finished products is composed by a large number of different components from different firms, mainly plastic suppliers. The strategy used by the company in the selection of suppliers is performed using a criterion of high quality, low prices and the ability of the supplier to respond quickly to Science4you request.

Regarding **distribution and sales channels**, the company has three ways to reach final consumers: through large retailers; direct sales through its own stores and e-commerce by Science4you website; through the Portuguese agent Sr. Brinquedo.

Currently, Science4you is present in every big supermarket, except *Continente*, and its biggest clients in 2010 were Fnac, Jumbo and Toys' R' Us, respectively. To reach to small stores in the Portuguese market, the company sells the toys to the agent *Sr. Brinquedo* who promotes, sells and distributes the products all over the country. In that way, the company is able to focus on its big clients and its own stores, while it still has its product being distributed in small shops. The relationship works as a *Licensing Contract*.

Science4you **customers** are parents who want to spend some quality time building the scientific toy with their children so that they can play and learn at the same time.

The European Commission is the institution responsible for issuing the directives applicable to all EU member states regarding **toys safety regulation**. On national level, the control is made by *Autoridade para a Segurança Alimentar e Económica* (ASAE).

Regarding **competitors**, the direct ones are those who sell scientific toys like the multinational *4M* and *Discovery Channel*; the indirect ones are toys which are not scientific but are also educational toys and are placed near the company toys in the large retailers shelves.

The company's revenues in 2010, divided through the several channels, can be separated as: large retailers: 70%; small stores: 25%; Science4you own channels: 5%.

In 2010, the company achieved revenues of 245,000€ and expects to double this result in 2011 to the 0.5million €. In fact, the expected revenues of 2011 will represent almost 10 times the results of 2008.

Vision, Mission and Strategic Objectives:

The company's **mission** is to “sensitize children and the community to the matter of experiment sciences on the daily basis”.

Concerning its **vision**, Science4You wants to end 2012 has a reference in the national toys market and has the objective, in the time frame of 5 years, to be an international well positioned player in the Scientific niche.

Regarding the **strategic objectives** for the next three years, Science4You wants to reach the 500.000€ of revenues in 2011. Nationally, it just opened two Science4You stores, so that this channel can be their main source of revenues in Portugal. On international level, a successful internationalization is wanted in Brazil and U.K., the last one being the main goal for the next three years, since it is the most attractive market in E.U. for toys market.

The CEO has also the goal of reach, in the next two years, 50% of revenues from international operations, since it looks to internationalization as the future of Science4you.

Competitive Advantage

Science4you is inserted in an industry where innovation and constant launch of new products are key success factors to develop a sustainable competitive strategy, the product development associated to each toy, as well as the instruction manuals that are also educational books about the toys theme can be considered the company's main **competitive**

advantage, which gives the company the necessary strength to be successful on national territory and abroad.

The company price versus quality ratio is in the Portuguese market a strategic advantage (annex 5). The fact that the majority of its suppliers are Portuguese, allows the company to put the known logo “*Compro o que é nosso*” in its products. A differentiator factor, well recognized by parents, in times where (the lack of) national production is seen as a major problem for the country.

Methodology

The purpose of this work project is to develop a strategy of internationalization of Science4you to Brazil. The company already has a representative in Rio de Janeiro for about a year; therefore my strategy is more focused in the state of São Paulo. My thesis can be divided in two parts. In the first one, I present the specificities of the company: its internal structure and the way it operates, as well as the external environment Science4you is inserted in. To do that I had several meetings with the company’s CEO, Miguel Pina Martins, I have searched over the internet for information and went to large retailer stores to understand the positioning of the company over the competition.

In the second phase of the work project, I analyzed the internationalization process by making an analysis of Brazil and its toy industry. To get the information I required information to AICEP, the representative of the company in Rio de Janeiro and Science4you competitors in Brazil.

For the implementation plan, I will describe the tasks that I consider that are needed to be done; used the 4M’s tool; and stated guidelines for a contingency plan if the process does not occur as planned.

Value Chain¹

The whole value chain is driven by a “Make-to-order Model”. This means that the components purchase of toys is made accordingly to the large retailers’ demand for the products.

Primary Activities

Concept Definition - The concept definition of the product begins with the research on the field for a possible new hit in the market. After defining a toy concept that the market may want (e.g.: wind energy), the idea is transmitted to the R&D department.

R&D: Science4you sees the R&D team as an essential player in the company’s success. They have 3 designers who draw and develop all the creative part of the Project, and 4 scientists from distinct areas that apart from participating in the development of the product, also create the manuals for each toy. After finishing a prototype, the product is presented to the CEO, that will decide either the product is ready or not to be produced.

Inbound Logistics: This phase is characterized by the supplier’s goods that arrive to Science4you

Assembling: There are only two employees responsible for this phase. Since there is nothing to be produced, the task of the employees responsible for the assembly line (which receives formation with the duration of one day) consists in putting together the different toys components and packing them into the box. In times of higher demand (Christmas, for instance), other employees help with this process by doing extra hours and temporary employees are hired.

¹ Annex 3

Outbound Logistics: stock management and control is made by software programs Microsoft Office Excel and Primavera program, which help in matching the demand.

Marketing and sales: The company performs market research through informal exchange of information with their primary customers (Toys'r'us, FNAC, and Bertrand). Besides the facebook page that is updated weekly and followed by more than 3000 users, the company also bases its communication strategy in its website. However, interviews made by media channels are seen as a good way to advertise the company and its products, as well as the presence in the specialty fairs.

Regarding sales, after the product is able to leave the warehouse, the company has 3 different ways to make it reach the final consumers, as it has previously described.

Support Activities

Firm Infrastructure: It outsources no core activities like accounting and contract management.

Human Resource Management: The Company is composed by 21 persons. Science4you is represented in the offices of Lisbon, Oporto and Madrid. The large majority is human capital with background in management, besides the R&D department and the two employees of the assembly line.

Procurement: The process of choice of suppliers is very important to the company. Its majority is Portuguese, and the major criteria of choice are the price vs quality ratio of the product; ability to attend to the specificity of company' requests; and time needed to deliver the components.

Quality Management – since the company outsources all components from suppliers, this activity is essential. The company has to be sure of the quality of the products to checked them accurately to avoid any defect, especially being children the final consumer.

Post-Service: After the products are sold, there is not a complementary service offered by Science4You, unless the final consumer has some complaints. If that happens, the company returns the product for free to the consumer. If some packages have been damaged during the transportation, there is also a post-service for second deliveries.

TOWS Analysis:

One of the company's biggest assets is the ability of its R&D to make a new approach to the product not only through the product development process but also with its thematic books/manuals which adds something completely new to the market. This capacity to innovate, in large quantities (72 products) along with its price vs quality ratio (larger than competitors) gives the company the possibility to enjoy the opportunities which are available in the market like the increasing awareness of parents for educational toys and to position itself in a niche market that is not mature yet so that it can give a good answer to customer's needs and desires.

In the internationalization processes, the company should take advantage of the good relationship it has with its worldwide retailers (mainly Fnac) in Portugal as part of its implementation in new markets.

The company's main weaknesses are its low production capacity, the high dependence on large retailers and the Science4you low brand awareness. To overcome those pitfalls by betting on the opportunities the company's external environment presents, the company has to expand domestically and to internationalize to increase revenues, to enlarge economies of

scale. Diversifying sources of revenues to different markets, the Company will decrease the risks of operating in only one area.

In the difficult economic situation that the whole country is passing by, every industry is being somehow affected. Regarding the toys industry, the criteria of price in the process of choosing a new toy by parents will gain importance. To overcome this threat, Science4you needs always to keep price lower prices than its direct competitors, and if necessary to reduce its profit margins. Another major concern for Science4you will be not only its low brand awareness, but also the high brand of its competitors, like 4M. In that sense, it is essential to develop a marketing strategy to create brand awareness for the company.

SCIENTIFIC TOYS:

Market Description:

The scientific toys industry can be considered a niche market inside the toys industry and consists in pedagogical toys, whose purpose is to address the demand of parents who want to give to their children a toy that has an educational purpose.

Like all the toy industry, this niche market is characterized by a relatively constant demand during the whole year, except in November and December which due to Christmas celebrations meets its highest peaks of demand; and also by its need to innovate and launch new products to the market to keep demand high and not let it be caught by competition.

WORLD MARKET ANALYSIS:

After the huge drop of 27.4% that occurred in the world market in 2004, after having achieved its peak of revenues in 2003, the toys industry has been recovering slowly and between 2005 and 2009 registered an increase in sales of 16.1% (Abrinq).

In 2009, according to *Associação Brasileira dos Fabricantes de Brinquedos* (Abrinq), the world toy industry has achieved 74 US billion dollars², an increase in revenues of 2.6 % comparing to 2008. The region of the globe where the industry is more powerful is in Europe, North America and Asia, which accounted in 2009 with around 23 billion dollars each³.

However, in 2010, the Asian market beat Europe's revenues and became the second largest market. According to the *Global and China Toy Report*, in 2010 the world industry registered an annual growth of 4.7%, despite the decrease in sales of U.S. The biggest consumers are U.S.A., Japan and China, while U.K. is the biggest European and the fourth largest in the world.

Finally, China is nowadays the most powerful country in the industry due to its cheapest products (cheaper labour costs and undervalued currency), and for being the third biggest market in terms of sales and the biggest exporter (nearly 80% of toys sold worldwide) with an impressive growth of 30% in the value of its toy's exports. However, recently had to make some recalls of its toys and closed more than 2,000 plants. A word for Brazil as well, that in 2009 was the country who won more market share in terms of country's sales (NPD).

Criteria of Country Selection

The selected market to internationalize has to represent a clear opportunity for the company to grow with its product, where it is easy to export for and with a favourable environment to the entrance of scientific toys in the target market. By exporting to Brazil, the company will find itself in one of the most attractive markets in the world.

² ABRINQ and the consultancy company NPD come up with different results for the world's revenues of 2009

³ Europe – \$23.5 billion; North America – \$23.3 billion; Asia – \$21.5 billion – Exhibit 8,9 and 10

Brazil registered an increase of the GDP of 7.5% in 2010 (and expected growth of 3.6% in 2011), low unemployment rate, partially eradication of poverty, and a boosting middle class - the toys industry has been benefiting from the larger base of children from whose families have now more income to spend in goods like toys.

The easiness to credit and the system of credit cards fractioning the purchase payments contributed to the increase of 11% in 2010 in the toy's consumption.

To search for the most attractive states to commercialize toys in Brazil, we concluded that south east states are the most attractive markets in the country. The best states to sell toys in Brazil are, by far, São Paulo and Rio de Janeiro, that together in 2009 represented 50% of Brazilian sales.

Regarding Science4you, it has been facing many difficulties to enter in the market due to the Brazilian strong and complex fiscal policy over imports. It should also be highlighted the bureaucratic obstacles of the company in having its products approved by the national authorities which I consider a form of protectionism of the government. Presently, the company already has already the *InMetro* Certification for many of its products, but it took several months to get it. Moreover, some products like toys, for its unusual characteristics, require special control from *Departamento do Comércio Exterior* (DECEX).

The competition in the scientific niche is relatively low⁴, and Science4you innovative products will be a “*breath of fresh air*” in the market. About the import taxes, the rates are clearly high. They are expected to increase the price per product in 68.25%. However, the positioning that company wants to have in the market, as a toy's manufacturer whose target is

⁴ According to Miguel Pina Martins and the company's representative in Rio de Janeiro

the Brazilian middle-upper class, will allow it to practice competitive prices with its direct competitors in spite of the high tariffs.

Brazilian toys industry

The market has a strong presence of international players, mainly *Mattel do Brasil*, *Hasbro do Brasil*, while domestic players remained steady over the last few years. However, industry's revenues are nearly equally divided between national producers and importers. While the major Brazilian companies are Estrela, Bandeirantes, Gulliver and Líder, the imports are by large majority Chinese ones.

National industry is confident in the future, in relation to domestic market growth and exports, and will invest R\$ 200 million in launching toys and modernizing its factories. The balance of trade of toys presents a large *deficit*. In 2009, the imports of the national market registered R\$ 1500 million, while the industry only exported about R\$ 19million.

Protectionism measures have been taken by the Brazilian government to protect the national industry mainly from Chinese manufacturers. In fact, there has been having many tensions between Brazilian manufacturers and Chinese importers being the latter accused of practicing non-loyal competition due to the Chinese exchange rate subsidies of 50% to exports; discount of 15% for unloaded products in dry ports; and differences in both countries interest rates of 0.6% (Abrinq). Regarding the national industry, this is of major importance because allows the Chinese to practise lower prices, moreover in an industry where the price is an essential determinant for the final consumer. To respond to these disadvantages the domestic manufacturers had to reduce their profit margins, but in 2011 they had 70% of market share in the toys with price below R\$ 50, 00.

However, to fight against Chinese and international players based in Brazil, seven large domestic companies have been considering the **possibility of merging** since last year to create the biggest toy's manufacturer in the country. The project is still under evaluation, and

is of complicated implementation, as it implies the merging of 7 companies (O Globo – April 2010).

To **stimulate national production** in the toys industry, in 2010, the Brazilian government approved not only a reduction of import taxes from 20% to 2% on components to produce traditional toys and games but at the same time increased import taxes on manufactured products from 20% to 35% to back off further imports, mainly from Chinese manufacturers. These taxation changes marked a victory for the domestic national industry that had been struggling to increase market share over imported manufacturers.

Apart from the importation taxes in Brazil, the agent will have to pay for the licensing of the toys every time a new shipment of the toys arrives. This value is variable (depends on the toy), but it is expected to increase the price of each toy in R\$ 1, 05.

An important annual event to the whole industry is the ***Feira Abrin***⁵, which represents an opportunity for the toys manufacturers to present their new portfolio of products and make business with other industry agents, so that the industry can be fully prepared to face the high demand of Children's Day⁶ and Christmas time that together represent 70% of the industry's revenues. The industry employed 23.000 workers (a small increase of 4.5% comparing to 2000) in 2010.

Regarding the **suppliers**, we can highlight the main industries as the plastic and resin ones. These industries have been accused of being an oligarchy by *Abrinq*, which gives the toys industry low bargaining power over its suppliers. The retailers are also considered to be relatively concentrated, since there are 15 retailers who commercialize 70% of the toys.

From the whole possible **distribution channels**, the most successful are the specialize

⁵ Annex 15

⁶ Children's day is highly commemorated in Brazil and in terms of revenues for the industry, is even more profitable than Christmas

toy stores, which accounted with 41.3% of the commercialization in 2009. In the same year, wholesalers (atacadistas), which can be seen as the commercials who are intermediaries between manufacturers and stores, represent 23.3%, while large retailers accounted in 2009 with a percentage of sales of 14.4%.

Internet retailing was the one which got the fastest growth in the last years, driven by the widening base of Brazilian consumers with access to the internet and owning a credit card. For we have an idea, in the first semester of this year, 5 million Brazilians made their first purchase on the internet. Science4you has also been enjoying from this boom as it has been already exporting through this channel, to individual consumers, since 2010.

To segment the market, I decided to use the Abrinq's way that divides the toys in seven categories (annex 13) and from those, I concluded that Science4you can be included in these segments: intellectual activities and technical world. Regarding intellectual activities, it has been a segment that has been observing a decrease in its percentage of sales. However, technical world almost tripled its importance in percentage, from 5% to 14%, comparing to the other segments between 2006 and 2010.

Concerning direct competitors, there is clearly room in the market for the company to establish its portfolio, since most international players who have similar products only export to Brazil through their home-based websites. However, Science4you will find in Brazil its fierce competitor in Portugal, 4M. Based in Hong-Kong, 4M had a portfolio of 31 products for Brazil in 2011. Its solar panel (already won an award in Brazil), the volcano and a solar robot, on average, with prices between \$R60, 00 and \$R90, 00 – Are all similar offerings to the ones of Science4you. 4M operates in the country through an exclusive distributor who sells the toys through its website, small stores in the south-east states and online specialized retailers.

Another competitor Science4you will have is a small company called *Mentes Brilhantes*, with a very similar structure as to the one of Science4you, in Florianopolis. The company was already awarded in many occasions for its innovations. It sells mainly to schools and through its website, but it expects to start selling to retailers in 2012. Nowadays accounts with 27 toys in its portfolio. It is important to mention that none of them are selling in large retailers chains.

Regarding the state of **São Paulo**, which I will be focusing my strategy on, is the most attractive to sell the Science4you toys, since it is the one that represents the highest stake of revenues in the toys industry. The competition and variety are tremendous in São Paulo, due to its economic power, and the price of the same toy within the capital can vary until 100%, depending on the area that is being sold. However, for being a large area, there is a higher presence of specialized shops, commercial agents and large retailer than in Rio de Janeiro, which means that the opportunities for the company may also be higher. Regarding taxes, the rates are the same on national level, but the tax over circulation of products (ICMS), which is legislated on a state level, was recently reduced for toys and is nowadays of 12%, against the 14% of Rio de Janeiro.

MODE OF ENTRY: What was done so far

Nowadays, Science4you has a Portuguese agent, with a *licensing contract*, who went to Brazil with the purpose to represent Science4you and he is the responsible for design the strategy of the company in Brazil.

To complement the core activity of commercialization of toys, the agent has been developing partnerships with museums and universities so that it can be added value to the products, expanding field of operations and increasing brand awareness of the company. A

partnership is also being developed with two local companies that make business with schools so that the company can enter in this new “school market” – promotion of the toys through activities with the children in schools.

We can say that in this last year, it was the pre-engagement phase of export, since the bureaucratic process to make Science4you legal in Brazil required a long time, money and it is not complete for all toys portfolio.

São Paulo:

Since the representative is established in Rio de Janeiro, I think that the company and its representative should have a clear strategy planned just for S. Paulo, seeing them has two different markets, and focusing on its characteristics, knowing that in 2010, São Paulo represented almost 40% of sales of toys in Brazil.

This expansion of operations to São Paulo would make the company achieve economies of scale that would allow the reduction of unit costs with expenditures like legal costs of licensing of the toys⁷. Nowadays, for S. Paulo, the representative only expects to meet with headquarters but by designing a clear strategy for this state, the company and the representative would be targeting most attractive state of the country.

At first a commercial agent should be hired and would be responsible for distribution and sales in the state of São Paulo. This agent would operate as *Sr. Brinquedo* operates in Portugal, and his target would be the small stores and chains that operate on a state level so that the representative could be focused in the other possible sales points.

If, by the end of the year, the company had increased sales considerably, it was present in more than one large retailer, and had been creating enough brand awareness over the internet and small stores, I think that it should start a small store in a shopping mall to be closer to the final consumer and to increase its profit margins. At that time, he should also develop an “animation team” in S. Paulo that would be responsible to promote the toys in scientific and toys’ fairs that are usually promoted in private schools - fairs where the commercialization of products by the companies is allowed.

The representative should also make partnerships with Universities, and mainly with Museums, so that Science4you can offer tickets from museums in the state of S. Paulo. I purpose the *Museu da Educação e do Brinquedo* and the Parque da Ciência e Tecnologia da USP, among many other options in the city.

On national level, I think that **four important procedures** should start being taken: it would be important to set conversations with other south east institutions to set partnerships with Science and Toy’s museums from every Brazilian state. The second bet that should be taken is relatively to the sales through the internet. This is an area that has been registering a massive growth. Moreover, considering the company’s target, the use of internet is more regular. The company should not only provide excellence in offerings in its Brazilian website, but also sell through specialized online retailers, like *Super Brinquedos*, to directly compete with other toy’s manufacturers. And yet, should not only search to adapt toys like the *Volcano*⁸ but also adapt the writing of manuals and packaging to the market. It may seem a detail, but adapt the writing avoids the risk of be seen as an outsider and a company that did not care to adapt the product to the country. I would recommend that this adaptation, to save

⁸ that are not being accepted by safety authorities due to a chemical that is used, but it is a toys that is being merchandized by other companies

costs, should be made by the representative itself. Finally the company should bet on the Corporate Social Responsibility (CSR) made by big enterprises in the country as an opportunity to enlarge brand awareness through policies in favour of poor children.

To, conclude, **in the long-term**, I think that if the company is able to expand sales that justify local production, should think about **producing there** to be even better positioned in the market. This move would represent a decrease of costs in terms of importation and other taxes. With the international crisis, protectionism is coming back and Brazil already showed that wants to protect its industries at all cost. So, having an assembly line in Brazil and be part of the Brazilian producers would not be a bad idea, but keeping Portugal as centre of decision, logistics and product development. With that decision, the company will enter easier in the remaining Mercosul countries.

IMPLEMENTATION:

In order to explore S. Paulo and the whole country, the agent of Brazil must perform the following tasks in the next two years: The first three represent the ones the representative has to focus in the short-term, while the last three ones can be seen as a second phase of the implementation plan.

- Get at least one large retailer to deliver the toys
- Get partnerships/tickets with science museums from south east states
- Find at least one distributor/commercial agent to get S. Paulo's small stores
- Partnership with USP
- Enter in the business of birthday parties and private schools' scientific fairs.

- Openness of a Science4you store in a shopping mall

To have in the market the product distributed for, at least, one large retailer is essential for the success of the implementation. On national level, the most attractive to do business are Fnac and Ri Happy (biggest toys' retailer in the country), since none of them carries similar toys to the ones of science4you. Through this channel, the margins of sale would be of around 60% of the PVP (final price recommended – that will be positioned in the range of \$R 60, 00-70, 00).

Regarding the tickets to get from museums, for S. Paulo, the representative should get the support from Secretaria da Cultura do Estado de S. Paulo to get partnerships with several museums across the state.

The procurement of the agent would be made by the agent of Rio, however, to match the agent' demands of toys, Science4you headquarters should export directly to the Santos (São Paulo) port. This agent should be a company with experience in the sector and would preferably not working exclusively with Science4you, so that Science4you could enjoy from the lower costs of a non-exclusivity contract. This agent will get 8% of the sales made to the retailers and the margins with the retailers will be about 50% of the PVP.⁹

In a second phase, the partnerships with an university – the best one would be Universidade de São Paulo (USP) – is with the aim of get activities evolving children and the

⁹ Reach this percentages of PVP, already computing all costs, for the commercial agent and large retailers due to conversations with the representative of Sciecne4you in Brazil

university, under Science4you' support. With that purpose, the company would be promoting its toys and still get the support in logistics and promotion with USP¹⁰.

The entrance in the market of the schools' fairs is quite difficult since it is an extremely closed market. The best way to enter should be in partnership with a company that is already established, as it was previously mentioned in the first Mode of Entry. Under these companies, Science4you would provide material to start a first contact with children, so that these activities could work as a way to promote the commercialization of toys.

The store would be a small sales-point as the one existing in Portugal, with three employees and a monthly fee to pay to the shopping mall. I think that if located in an upper-middle class neighbourhood, this could be a winning bet.

Men, Money, Minute and Memo¹¹

Men

Each of the two phases of the strategy previously developed will have different demands in terms of human resources required. Regarding the first year, the company, to match an increase of demand of its products from Brazil, will need to hire another employee to the assembling line in the following year.

Regarding the agent, to support him with the logistics of covering the areas of São Paulo and Rio de Janeiro, should hire a junior assistant to easier organize the meeting that are expected for the representative to have in both states.

¹⁰ It would be also useful to get at least the university' logo, but it is not essential since the representative is almost getting one of *UFRJ (Universidade Federal do Rio de Janeiro)*.

¹¹ Annex 20 and 21

For the second phase, about the implementation of a store in São Paulo, the representative should hire four employees who would be present in the shopping mall, being one of them the major responsible for the shop and the person who would report to the representative.

Money

Regarding costs, I decided to divide them into the phases of the implementation. In the first one, the main costs come from: the new employee hired, with a wage of 550€; two trips should also be done in the middle of the year by someone of Science4you to Brazil to be present in the fairs and follow-up the developments made by the representative. A plane ticket and living expenses for a week should be around 1250€ (850€ plane ticket+ 400€ living expenses for a week)

For the representative, its major costs will be regarding the presence in the three fairs; on the travels needed to be done to S. Paulo (I expect to be ten in 2012) to come up with the arrangements described in the implementation plan; and on hiring an assistant.

Bus tickets and living expenses should cost each one on average about 200€ to S. Paulo. To end up; the presence on the three fairs should cost an extra 9220€, which all summed gives a total of cost of 36880€ in the first year.

Minute

Activity		Dependency
1	Contact AICEP AND CEB	
2	Acknowledging the Brazilian legislation and import tariffs	
3	Adapt toys to Brazilian safety requirements	2
4	Get the InMetro safety certification	2,3

5	Participation in Fairs	3,4
6	Partnerships with universities and museums	3,4
7	Adapt packaging and manuals	4
8	Establish contact with large retailers	6
9	Find a commercial agent for S. Paulo	8
10	Search for Brazilian market trends	7,8
11	Add new products to the portfolio	10
12	Establish science4you store and animation team	all
13	Consider implementation of operations	all

Memo

Strategic Theme	Objectives	Measurement	Target	Initiative
Financial	Increase sales' revenue	Sales revenue; Profit Margins	1st Year-cover costs; Increase sales 100% in 3 years	Agent of S. Paulo and large retailers
Customer	Being recognized by its quality and innovation. Practice lower prices than competition	Web-site visits and sales	70% awareness on the customer (distributor) and 30% on the final customer	Partnership with USP and museums. Presence in Fairs
Internal	Recruit employees for Science4you Lisbon	# of workers; delay on deliveries	1st Year-cover costs; Increase sales 100% in 3 years	Training and Recruiting
Learning	Increase economies of scale	Time to implement	Start selling in the first half of 2012	Change manuals and packaging to Brazilian

Contingency Plan:

To face the possibility that business does not develop according to what is expected, I decided to set some major decisions to take if the success of the expansion of operations does not appear. Regarding the contract with a commercial agent for Science4you in S. Paulo, if the results are not being the successful, the agent of Rio de Janeiro should search new options to reach small stores in the state. If the agent of Rio de Janeiro feels that needs to be more focused in S. Paulo to get better results, should move permanently to that state.

Regarding the odds of bad results from final consumers' purchases, it may be good to change the pricing strategy practiced, at least on the short-term, lower even more the price.

About the possibility of failure on entering in the "schools area" and the implementation of a store in a shopping mall, the best move would be to give up from those projects and focus in the commercialization of toys.

Conclusions and Recommendations

At the end of the Work Project, I concluded that Science4you has the necessary competitive advantages and opportunities to go ahead with the implementation plan I developed and enter successfully in the Brazilian market.

Besides being a small company that is a little behind its competitors in the quality management program and on matching the demand in its assembly line in certain periods, expanding to Brazil will allow the company to achieve economies of scale, increase revenues and explore a new country that has been experiencing a great economical and social growth in the last decade. The Brazilian toy's market is increasing its revenues year after year and with a great variety of toys (5000) present in the country, there is certainly room for Science4you in the south-east states.

The way it chooses to enter in the country was the right one since the company has total confidence in its distributor and is more focused in the European markets, lowering the financial risk of settling an office on its own, despite the dependency on the distributor's choices.

However, if Science4you and its distributor want to get a sustainable growth in Brazil, should try to transfer the good relations they have with Fnac Portugal to Fnac Brazil as well. By selling through a large retailer like Fnac the company will start to be in better position to negotiate with other resellers. Finally, I should also highlight the importance of getting a quality certification with a prestigious Brazilian university and establish the partnerships with museums, since these actions may be the needed boost to successful implement in the country.

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